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<https://www.wsj.com/articles/equifax-sent-lenders-inaccurate-credit-scores-on-millions-of-consumers-11659467483>

◆ **WSJ NEWS EXCLUSIVE** FINANCE

Equifax Sent Lenders Inaccurate Credit Scores on Millions of Consumers

During a three-week period this year, Equifax sent faulty scores to lenders, resulting in higher interest rates and denied applications



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Aug. 2, 2022 3:11 pm ET

Equifax Inc. **EFX 2.13%** ▲ provided inaccurate credit scores on millions of U.S. consumers seeking loans during a three-week period earlier this year, according to bank executives and others familiar with the errors.

Equifax sent the erroneous scores on people applying for auto loans, mortgages and credit cards to banks and nonbank lenders big and small—including JPMorgan Chase & Co., Wells Fargo & Co. and Ally Financial Inc., the people said. The scores were sometimes off by 20 points or more in either direction, the people said, enough to alter the interest rates consumers were offered or to result in their applications being rejected altogether.

The inaccurate scores were sent from mid March through early April, the people said. The company began disclosing the errors to lenders in May, they said.

Equifax said it has since fixed the error, which the company described as a “technology coding issue.” The glitch didn’t alter the information in consumers’ credit reports, the company said.

“We have determined that there was no shift in the vast majority of scores during the three-week timeframe of the issue,” Sid Singh, president of Equifax’s U.S. Information Solutions, said in a statement. “For those consumers that did experience a score shift, initial analysis indicates that only a small number of them may have received a different credit decision.”

Equifax maintains credit reports on more than 200 million U.S. consumers and sells them to lenders. The information in these files—including whether consumers are applying for debt, the types of accounts they have and whether they have a history of paying on time—determines consumers’ credit scores. Credit scores are among a number of factors lenders consider when making loan decisions.

The glitch is another setback for Equifax, which fell victim to a hack in 2017 that exposed the sensitive personal information of nearly 150 million Americans.

Trade publication National Mortgage Professional reported on the glitch in late May, saying Equifax had notified lenders of erroneous scores during the period in question.

Mark Begor, Equifax’s chief executive, publicly acknowledged the flub at a June investor conference, calling it a coding issue that affected “legacy applications that resulted in some scores going out that had incorrect data.” He said the company had fixed the problem and takes issues with its data quality seriously.

“The impact is going to be quite small,” Mr. Begor said, “not something that’s meaningful to Equifax.”



The glitch, however, affected many lenders across multiple consumer loan products, not just mortgages, according to people familiar with the matter.

The percentage of incorrect scores provided to lenders varied, the people said. At one big bank, for example, 18% of applicants during the three-week period had incorrect scores, with an average swing of 8 points, one of the people said.

Equifax told one large auto lender that about 10% of applicants during the three-week period had inaccurate scores, according to a person familiar with the matter. Of those, several thousand saw a change of 25 points or more on their credit score, the person said. In a small number of cases, applicants went from having no credit score at all to a score in the 700s—or vice versa, the person said. The most widely used credit scores range between 300 to 850; the higher the credit score, the more likely an applicant will get approved and at a lower interest rate.

Lenders are asking Equifax for more information and are trying to figure out what to do for applicants who were denied credit or offered a higher interest rate than they deserved, the people said. They are considering repricing loans and giving rejected applicants an opportunity to reapply, the people said, a task complicated by recent interest-rate increases.

Equifax has been working closely with lenders and providing them with updated scores, Mr. Singh said in the statement. “We do not take this issue lightly,” he said.

The glitch could land the Atlanta-based Equifax in more hot water with its regulator, the Consumer Financial Protection Bureau. Under its director, Rohit Chopra, the agency is investigating how the three main credit-reporting companies—Equifax, Experian PLC and TransUnion—handle consumer disputes, The Wall Street Journal previously reported.

Mortgage lenders sought about 2.5 million credit scores in the period in question, according to one industry estimate. But because they typically view credit scores from each of the three credit-reporting companies, the glitch’s effects on mortgages may have been blunted, some industry officials said.

Fannie Mae and Freddie Mac, which guarantee about half of the U.S. mortgage market, likely purchased only a relatively small number of loans at inaccurate prices due to erroneous credit scores, one of the people said. Mortgage lenders may owe the government-controlled companies additional money if borrowers received higher credit scores than they should have

and their loans are deemed riskier than initially thought, according to industry officials. In some cases, Fannie and Freddie could owe lenders refunds if the scores were unduly low.

A spokesman said the Federal Housing Finance Agency, which oversees Fannie and Freddie, is still working with the mortgage giants to assess the scope of the loans affected by the glitch.

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Appeared in the August 3, 2022, print edition as 'Equifax Sent Lenders Wrong Credit Scores'.